CAPITOL STREET

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Medicare Advantage: Kaiser Panel Features CMS & Senate Staff

Outcomes-Based MA Stars Policy Likely Finalized in Separate Rule

Relevant Companies

Our Take & Next Up

With comments on the 2027 Advance Notice submitted to CMS here, we are providing our preliminary view on where CMS may land. Specifically, we examine how the proposals, particularly around chart review policy, risk adjustment, growth rate and a continued shift toward outcomes-driven Stars, could shape the Medicare Advantage landscape for 2027**.**

Stars policy, which bodes well for MA plans as it becomes outcomes vs. process oriented, is likely to be finalized (possibly) before the final '27 rates. The 2027 Final MA & Part D technical rule, which is currently under OMB review (here) is likely to be out before the MA final rate notice.

John Brooks and Chris Klomp, speaking at a Better Medicare Alliance (BMA) event today, provided a few messages we provide below. Klomp was instrumental in the 2027 MA rate notice and was recently promoted to serve as Chief Counselor at HHS. He will still continue as CMS Medicare Director and Deputy Administrator. Klomp's expanded role suggests the data-driven, program-integrity focus reflected in the 2027 proposals will extend to MA and more broadly across HHS programs.

Key Points

CMS's John Brooks says the road to MA stability is via greater payment accuracy. Other points made at the BMA briefing today include the following and may be paraphrased:

- Overall on Advanced Notice: CMS cares about stability but has to wrestle with the hard questions
- MA (plans) shouldn't compete on risk adjustment: No gaming
- CMS has invited stakeholders to meetings to comment on the Advanced Notice and been presented with different impact and assumptions
- CMS is working through Advanced Notice comments, having received a record number
- Recent CMS actions are intended to rebuild trust in MA
- Lawmakers have to believe CMS is being a wise steward

- Policymakers need to make sure MA services are being deployed to the best benefit – i.e. not a Chili's gift card (as a reference to MA supplemental benefits).

Prior authorization (PA) comments were also noteworthy. CMS officials noted they look forward to seeing PA commitments be executed. As a reminder when plans testified on Capitol Hill a few weeks ago, CEOs committed to publicly providing PA rates. Our take on the 2025 commitments from MA along with Medicaid, Medicare, Commercial and ACA plans is here.

We could see growth rate improvement (~100-150 bps) in the final print to elevate the final update. As we noted (here), the +0.09% bottom-line update was a blow to MA plans – big and small. That said, the FFS growth rate of +4.97% is not considered unreasonable in isolation. Recall that the 2026 proposed growth rate of 5.93% ultimately was finalized at 9.04%, largely due to updated utilization inputs. This year, the Advance Notice (AN) relied on three quarters of utilization data. The final notice will incorporate full-year 2025 data. Given sustained Part A and Part B utilization trends, we would expect the growth rate to improve modestly in the final print, potentially by 100–150 bps.

The chart review reform policy (linking to an actual provider encounter) likely survives for 2027, but could be phased-in. A consequential element of the proposal remains the requirement that diagnoses be linked to actual encounters (e.g. not a pharmacy or radiology claim) in order to be eligible for risk score consideration. CMS's concerns are based on MedPAC and OIG unlinked chart review studies on vast contributions to risk score growth.

We do not expect CMS to change the chart review proposal much, if at all, in the final notice. Furthermore, stakeholders did not ask for it to be reformed, apart from a delayed implementation to 2028 (AHIP) and guardrails for a phased approach (BMA). We note that the policy fits with broader program integrity goals and reflects CMS's view that encounter data is now reliable enough to require tighter linkage.

Senate staff today noted an interest in addressing health risk assessments (HRA), through a program integrity lens. The CMS AN does not block diagnoses collected through Health Risk Assessments (HRAs) nor does it eliminate HRAs. We do not expect CMS to introduce any entirely new HRA restrictions in April, as brand new policies typically are proposed before being finalized. Congress would likely approach HRA policy through a waste, fraud and abuse lens. Legislating on this front would take time, with a healthcare package possible after the mid-term election.

MA Stars policy – being more outcomes versus process based measures – will likely be finalized in the coming days/weeks (removing 12 process measures). The 2027 MA & Part D Final technical rule is currently under OMB review (here) and is expected to be released ASAP. The rule, released on November 26, 2025 (our take here) proposed changes to Stars including the removal of 12 administrative measures, shifting the focus toward outcomes, clinical care and beneficiary experience.

Additionally, CMS issued a separate RFI on modernizing MA risk adjustment. Comments on the RFI were due February 25, and comment letters are available here. The RFI sought input on ways to expand data sharing, improve risk-score accuracy, and more directly link quality bonuses to plan bids. The policies requested will likely align with the agency's MAHA focus on outcomes, patient-centered care and predictability that help plans allocate resources. Since this is purely a request for information, no new risk adjustment policies are expected for 2027; any changes could likely come in 2028 or later.

Coefficients are a major area of concern due to data integrity of the rate notice, particularly related to skin substitute spending. CMS may not have time to reform coefficient issues between now and the final rule. Fixing the issue would likely improve coefficients for myriad diagnoses, but whether it lifts 2027 MA rates overall is unclear.

Big picture, If V28 reduced MA payments to roughly 102% of FFS, the proposed 2027 rule likely pushes MA to close to full parity with Traditional Medicare. The agency has noted that V28 has been effective in reducing the coding differential between Medicare Advantage (MA) and Traditional FFS Medicare (TM). A study highlighted in *Health Affairs* by Chris Klomp and John Brooks (Deputy Administrator & Chief Policy/Regulatory Officer) tested two things: the MA risk scores under the new V28 model versus Traditional Medicare, and the older estimates that didn't include V28. They found that, using V28, MA payments that MA payments in 2022 would have been roughly 102% of FFS costs, down from prior estimates of about 110%. This demonstrates the effectiveness of the updated risk adjustment model, proving that V28 can narrow the gap and bring MA payments closer to actual FFS costs.

While CMS attempts in 2027 to level the MA playing field, regional & state-based Blues as well as smaller, not for profit plans will struggle if the notice were to be finalized as is. Large national carriers are, in our view, better positioned to absorb encounter-linked documentation, growth rate and evolving data requirements. Smaller and regional plans may face higher relative administrative and compliance burdens. MA plans would likely exit, those that remain will reduce benefits, with differing 2027 impact by plan.

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